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28 August 1981

Explosives Shipped

Libyan Case Opens Door to Intrigue

By MIKE GOODMAN
and WILLIAM C. REMPEL,
Times Staff Writers

NEW ORLEANS—At daybreak an 18-wheel semitrailer truck escorted by two Louisiana state troopers groaned down a narrow gravel road to an old brick explosive magazine deep in a mangrove swamp.

The state troopers were there to supervise the loading of 7,500 pounds of C4 plastique explosives and to guard the shipment as far as the Texas border, the first leg of a 2,000-mile trek to a desert bunker east of Los Angeles.

A Pomona, Calif., munitions dealer had ordered this shipment. He was amassing, at a cost of about \$300,000, all private stocks of the military surplus explosive available in the United States and Canada. The dealer claimed at the time that it would be used to simulate atomic blasts for government research projects.

Actually, the C4—ultimately 20 tons of it—was secretly bound for a Libyan arsenal to outfit a terrorist center and training school in Tripoli run by former Central Intelligence Agency agents and other Americans working for the regime of Libyan ruler Col. Moammar Kadafi and reaping profits estimated by federal authorities to be in the millions of dollars.

Unwittingly Helped

When the Louisiana troopers pitched in to help load the 50-pound cakes of cream-colored C4, they unwittingly helped launch what federal agents now believe was the largest illegal shipment of explosives ever made by Americans to international terrorists.

A federal grand jury will hear testimony next week. The Times has learned, into how agents of Kadafi peddled in October 1980 to the U.S. market on surplus plastique explosives and, ferrying them to

The grand jury is latest in a three-year involvement of active CIA agents. Green Be government technicians expanding role as a standard world terrorism.

The story of this experiment is a window into international terrorist plotters who exploit it.

Escort Required

Protection for the load was tight that sun morning in August. Louisiana's explosives troopers were required to keep it out of hands. But, when they waved goodbye at the end of the road, there was no escort waiting in Texas—or beyond.

"No one seemed to be as concerned as we were," recalled trooper Rick Borgus. "And we told Texas it was coming."

The truckload was ultimately combined into a 20-ton inventory of C4 accumulated by the Pomona dealer, Jerome S. Brower. It would be airlifted to Libya two months later from Houston aboard a chartered DC-8 in boxes marked "drilling mud."

Already, an elaborate terrorist training school, arsenal and bomb laboratory—much of it still in operation, according to U.S. authorities—had been set up in Libya in the

servants' quarters of the Tripoli palace of former King Idris, ousted by Kadafi in 1969.

The terrorist center in Tripoli was set up in 1976 and staffed by American ex-Green Berets, retired U.S. government bomb experts and at least two civilian employees on leave from the top secret China Lake Naval Weapons Center east of Bakersfield, Calif. Authorities say they know of at least 30 Americans who have been involved.

Their skills were used for commando training in such areas as covert operations, sabotage and assassination. Their students were Libyan soldiers and Arab terrorists.

Other Americans recruited from around the U.S. by Libyan agents, worked in a bomb factory—camouflaging bombs as ash trays, lamps, flower vases, alarm clocks, refrigerators, televisions, radios, briefcases, tea kettles and candles. One of the bomb experts told a Washington grand jury in 1980 that he made a bomb to be hidden in a box of tea and given to someone as a gift.

A federal judge later told a man indicted and convicted in that case.

No one will ever know the number of people killed or maimed as a result of the explosives that were supplied—and (of technicians who assisted) in training terrorists in the use of these explosives.

One or more of the bombs killed several Libyans in terrorist instructors.

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THE SPOTLIGHT
24 August 1981

Underground Dual Loyalists Washington

A Stake is Control of U.S. Intelligence Foreign Policy

*Foreign agents now have day-to-day control
over America's espionage and covert-action
operations.*

EXCLUSIVE TO SPOTLIGHT
By George Nicholas

A brazen attempt by influential "Israel-firsters" in the policy echelons of the Reagan administration to extend their control to the day-to-day espionage and covert-action operations of the CIA was the hidden source of the controversy and scandals that shook the U.S. intelligence establishment this summer.

The dual loyalists, whose domination over the federal executive's high planning and strategy-making resources is now just about total, have long wanted to grab a hand in the on-the-spot "field control" of the CIA's worldwide clandestine services. They want this control, not just for themselves, but on behalf of the Mossad, Israel's terroristic secret police.

An exceptionally well-informed and responsible U.S. intelligence source—a brilliant young attorney who quit a key national-security post only a month ago to protest the takeover by senior officials whose first loyalty is to Israel—said the high-handed intrusion of Mossad agents into some of the most sensitive enclaves of American statecraft has given rise, for more than a year, to growing concern, dissension and internecine conflict in the inner circles of Washington's intelligence and security establishment.

The resentment and friction are even more acute among America's overseas espionage and covert-action stations. In France, the CIA contingent, commanded by Israel-firster Aaron Meyer, tacitly collaborated with the hit men of terror and disinformation that ousted the pro-American Giscard government.

This brought to power Francois Mitterrand, the socialist-communist candidate who had the personal support of Israeli Prime Minister Menachem Begin, a bitter foe of former President Valery Giscard D'Estaing.

MOSSAD RESISTED
But in other nations American CIA station chiefs have resisted—and at times bitterly protested—the brash demands by Mossad agents who expected U.S. intelligence support for their violent intrigues against the local government.

In Spain, Britain, Argentina and Austria, where the Mossad's saboteurs and destabilization experts are hard at work against national leaders who have drawn the ire of Premier Begin, senior U.S. clandestine-services officers have refused to make common cause with Israel's

In Spain, according to this source—who has had access to command-level intelligence memoranda before he quit and decided to talk to The SPOTLIGHT's investigative team in strict confidence—the three ranking officials of the CIA station have offered to resign rather than collaborate with the Mossad in replacing the legally elected government with a regime "less friendly to the Arabs."

Yet The SPOTLIGHT's best-informed sources, several of them intelligence officials with decades of experience, concurred in the view that gaining a large measure of control over the "input" of America's global intelligence network was a prime goal of the Israeli government and of its inner circle of agents and supporters in Washington.

These experienced sources were interviewed under a pledge of strictly protected anonymity in the course of the special inquiry—now 2½ months long—devoted by The SPOTLIGHT's investigative team to the crisis in American intelligence caused by the unprecedented infiltration of the Mossad. The sources assessed the situation, with visible concern, as "extremely dangerous" and "unconstitutional and unlawful." One said it is "simply unbelievable . . . there is no precedent for it in our history, or, so far as I know, in the history of any other nation."

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STATINTL

U. S. Establishes Computer Security Center

Gaithersburg, Md.—The Defense Dept. has created a new center to evaluate the intrinsic security of different computer architectures for sensitive applications in the Defense Dept. and intelligence community where each user's access to material must be limited to the security level for which that person has been cleared.

Establishment of the new computer security evaluation center at the National Security Agency was announced here at a conference on computer security by Adm. B. R. Inman, who approved the new function when he was director of NSA. Inman now is deputy director for central intelligence.

Inman said that some but not all of the findings of the center's technical evaluations will be made public and give the rationale for the government's guidelines on making computer security techniques available to non-government users.

The government will continue to encourage computer manufacturers to develop architectures and techniques to enhance the security of their commercial products so the government can use these products wherever possible, he said.

"But sensitive portions of the systems and the known vulnerabilities that remain must be protected in the interest of both government and the manufacturer," Inman said. "It is quite likely, therefore, that the most sensitive portions of the center's analysis will be both classified and proprietary to the manufacturer," he said.

According to Inman, the new center "will not make general product endorsements," and the reports it issues will be for use only by the Defense Dept. and intelligence community.

However, a list of the relative standing of different computer manufacturers' security techniques "may be available publicly to provide both incentive and encouragement for manufacturers in developing 'trusted systems' and for private sector users to employ," Inman said.

"Because of the wide range of sensitive environments that exist for information systems, ranging from privacy applications to compartmentalization within the intelligence community, it will be vital for the evaluated products list to offer a range of technical categories and appropriate environments for specific systems," Inman said.

He said that while the new center is an important step toward advancing the security of computer systems, it will be necessary for Defense Dept. and intelligence community personnel "to become aware of and properly employ procedures for development of 'trusted systems' applications."

George Colter of NSA has been named director of the new education center and USAF Col. Roger Schell will be the deputy director.

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STATINTL

U.S. Seeks Link to Industry on Computer Defenses

By WALTER SULLIVAN

The National Security Agency has formed a new center to cooperate with business in evaluating methods devised by scientists to prevent unauthorized access to computer systems. Its goal is to allay industry fears that such developments would be stamped secret, preventing their marketing.

The Security Technical Evaluation Center is apparently designed to encourage businesses to share their developments with the Government in return for protection of their proprietary rights.

Without that cooperation, according to Adm. Bobby R. Inman, deputy director

of the Central Intelligence Agency, concealment of ingenious new advances could lead to a "highly undesirable situation" in which private concerns, such as banks and insurance companies, have better protected computer systems than the Government.

Admiral Inman was formerly director of the National Security Agency, which maintains the secrecy of the Government's communications networks and seeks to break the codes of other governments.

Fears of Government

Last year, the admiral was a central figure in a debate between the National Security Agency and academics who rebelled at efforts to classify their work. The agency feared that the publication of some new ideas in cryptography could make it easier for foreign powers to decipher American messages or to devise undecipherable codes.

The prevention of unauthorized entry into data banks and other computer systems is closely related to code-making and code-breaking. Unlike the theft of documents, information can be stolen from such a system without leaving a trace.

Systems involving national security and those of the business world are becoming more and more closely linked in national networks. Without stirring from his console, a clever and well-informed thief might be able to pilfer information from a system thousands of miles away. Likewise, false information could be put into the system, leading to financial chaos or disastrous decisions.

Admiral Inman explained to a seminar held Monday at the National Bureau of Standards near Washington that the new center is to serve the Defense Department and the intelligence community, yet at the same time work with commercial developers of computer system defenses.

Active Industry Role Wanted

The center will seek to encourage as much participation of industry as possible, Admiral Inman said. This, he added, is in "sharp contrast" to the National Security Agency's traditional

communications security role where the Government has been dominant.

The development of procedures that protect "sensitive portions of a system which the Government does not own," Admiral Inman conceded, will be difficult for the center. "Simply classifying security-related portions of a system built by industry won't work," he said.

The Government, he added, "represents such a small portion of the overall market that the manufacturer may well decide not to sell to the Government rather than accepting the limits imposed by classification."

Nevertheless, parts of the computer systems must remain protected, he said, in the interests of both Government and business. "It is quite likely, therefore, that the most sensitive portions of the Government's analyses will be both classified and proprietary to the manufacturer."

"Careful, reasoned interactions between the Government and industry will be needed to work out suitable working relationships," he said.

The center will not make general product endorsements, he said, but the merits of one system relative to others that have been evaluated "may be available publicly in order to provide incentive and encouragement for manufacturers to develop trusted systems and private sector users to employ them."

Did Inman Blow the CIA?

Yes; But Using Businessmen As Agents Shows

By MURRAY FROMSON and NORMAN SKLAR

In the shadowy world of espionage, nothing is more dangerous to an agent than to have his "cover blown." As any fan of spy novels or adventure films knows, this means having the seemingly innocuous occupation of the secret agent revealed to be a sham; only a "cover" to his real work—spying.

Recently, the cover for many present and future intelligence agents was blown during a network television news program. Not by a reporter, or by someone hostile to the agency, such as ex-CIA agent Philip Agee, but by the Central Intelligence Agency's own deputy director, Adm. Bobby Ray Inman.

During an interview on ABC's "Nightline," anchor Ted Koppel asked why businessman Max C. Hugel had been named to head up the most secret and sensitive of all CIA units, the one responsible for covert operations overseas.

Inman casually replied that Hugel had 20 years of experience abroad and "could be helpful in rebuilding the clandestine service . . ." Then, in a shocking gaffe or terrible lapse of judgment, Inman proceeded to explain just where America's enemies, international terrorists and foreign critics might look for CIA agents. In the cryptic jargon of the intelligence professional, he said that in the future the CIA would "rely far more on non-official (than on official) cover, the use of commercial drops to provide the necessary cover for clandestine agents all over the world."

What is meant by "non-official cover"? According to a CIA spokesman, it is "someone who works undercover for a commercial enterprise, an intelligence person who might ostensibly be working for a business enterprise."

Inman's remark was no slip, then. In fact, earlier in the Hugel affair, CIA director William J. Casey said, ". . . Hugel's background in business overseas would be useful in arranging cover for security agents." In short, the CIA seems to be ready to plant more agents in U.S. companies abroad and probably to send more operatives out as businessmen and women. That, of course, isn't new. Putting it on the record is.

It has been a long-standing but almost never acknowledged practice for some American businessmen and U.S.-owned companies overseas to cooperate with the CIA. The individuals took on occasional part-time assignments, while major corporations permitted agents to operate in the guise of sales representatives, engineers and the like. In such roles, the operatives could move with relative freedom about a country, gathering information and perhaps directing the activities of local agents.

The question is not so much one of Inman's candor or the agency's morality, but rather the effectiveness of such a practice. The CIA's use of commerce as a cover raises doubts about the legitimacy of all bona-fide businessmen, big or small, who choose to work overseas.

As foreign correspondents in Asia for many years, we and our colleagues often wondered about some of the suspicious characters we encountered. There were times when we also looked askance at some so-called journalists who would mysteriously appear in the midst of some crisis but who never seemed to file their stories.

Following an unwritten journalistic code, however, most reporters rarely, if ever, disclosed what they knew or suspected about business people or innocuous-looking trading companies that were quite likely "fronts" for clandestine CIA activities.

Especially in the 1950s and early '60s, during the height of the Cold War, it was just not the kind of story one reported. For instance, we all knew that Air America, which went through a half-dozen name changes as a contract airline in the Far East, was owned and operated by the CIA. Yet none of us wrote about it until the Vietnam War when government duplicity itself became a major issue.

But in the fallout from the recent controversy over CIA Director Casey and his former deputy director for operations, Hugel, plans to step up use of American business abroad as spy network covers have now been discussed openly.

Adm. Inman is a career specialist in intelligence, widely regarded by his peers as one of the best in the business. But after what he said on TV, one could easily imagine terrorists and KGB operatives around the globe rubbing their hands in glee. Moreover, the embarrassment to friendly governments and the danger to those individual Americans who have voluntarily worked for the

The admiral's gratuitous remarks also stunned the business community.

A senior vice-president of a multinational corporation operating in the Middle East, Asia and Latin America put it this way—"It jeopardizes the credibility of American companies that want to do business abroad as well as the lives of their employees who have absolutely nothing to do with the CIA."

An aerospace executive said, "Even the hint that a major U.S. firm might be involved in espionage would have a chilling effect on the ability of corporations to do business overseas."

Richard King, former director of California's Office of International Trade and now an international business adviser, said, "The multinational firms depend on a very open exchange of information with foreign firms in connection with joint ventures and for market research. To have any sort of suspicion of a CIA connection would most assuredly cut back on that kind of free exchange."

And a senior officer for one Fortune 500 company cited the more profound implications for U.S. entrepreneurs and corporate representatives abroad. "The possibility of stepped-up terrorist activities against American businessmen is frightening," he said.

In fact, the number of politically inspired killings or kidnaps for ransom of foreign businessmen has grown dramatically in recent years, prompting some American firms to increase armed protection of their overseas representatives.

No question, the nation requires an effective intelligence agency as well as the means to "cover" its clandestine activities. The CIA cannot realistically be expected to hang out a sign on a storefront in Bangkok or Karachi, proclaiming it as the office of the resident agent. But the 1980s are not the 1950s. The increasing need to have American businessmen create jobs, expand trade and help to correct our balance of payments deficit makes the use of these same businessmen by the CIA seem, at the least, extremely counterproductive. Such practices ought to be stopped.

Murray Fromson, a former CBS News correspondent, and Norman Sklarowitz, a former Wall Street Journal reporter, are both free-lance writers in Los Angeles.

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Anatomy of a Sad CIA Affair

Casey survives the furor, but suspicion and intrigue linger

"It is the unanimous judgment of the committee that no basis has been found for concluding that Mr. Casey is unfit to serve as director of Central Intelligence."

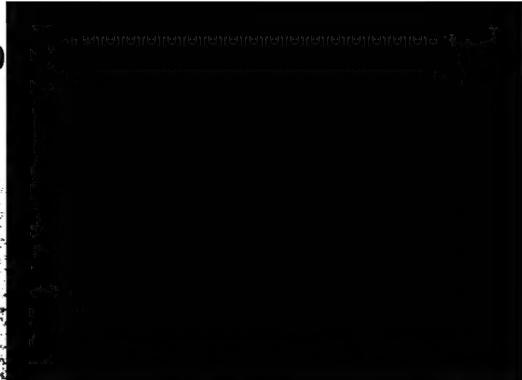
It was hardly a ringing endorsement, but that statement by a sour Senator Barry Goldwater nevertheless ended a two-week furor in Washington over the fitness of William Joseph Casey, 68, to stay on as head of the Central Intelligence Agency. The Senate Intelligence Committee, which Goldwater leads, promised to push on with its investigation of Casey, but Ronald Reagan's former campaign manager clearly had won, on points, one of the nastiest brawls in Washington since the President took office. In a broader sense, however, everyone lost. Casey remained under suspicion. Goldwater and other Senators who attacked Casey prematurely had been forced to retreat. Questions about secret CIA operations, and the character and judgment of the nation's top spymasters, had been raised around the world.

The Casey battle involved a complex mixture of personal and institutional motives, the springing of leaks and planting of misinformation, and a web of backstage intrigue that tended to obscure the real reasons for the struggle. As pieced together last week by TIME correspondents, the inside story reflects little glory on any of the participants.

A central figure in the drama was the increasingly crusty Goldwater, who considers himself the Senate's leading expert on intelligence. The venerable (72) Arizona Republican was miffed when the Reagan transition team failed to consult him last January on who should head the CIA. He did not like the choice of Casey, a wily and tough Washington operator, to direct the agency. Casey made matters worse by virtually ignoring both Goldwater's committee and the House Intelligence Committee, which take their duties to oversee the CIA seriously. He even curtailed the CIA's congressional liaison staff.

Meanwhile, tension was rising between the White House and the oversight committees on just how much flexibility the CIA should be given to conduct covert operations and plant undercover agents abroad. The committees want to retain their own close surveillance in order to prevent the kind of excesses that caused the CIA so much public grief in the 1970s. Reagan, however, has prepared an Executive

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Casey on his way to a "cakewalk" with Senate Intelligence Committee
Leaks and misinformation, not to mention a complex mixture of motives.

stration would be lifted. The CIA, for example, might be able to use the Peace Corps and students abroad as undercover agents. This proposal has led some Senate Intelligence Committee members, as one put it, to believe that "the White House favors anything over at the CIA so long as it's not embarrassing."

Within the agency, philosophical fights were brewing too. One faction, including Casey's top deputy, Admiral Bobby Inman (who had been Goldwater's choice to head the agency), advocates more emphasis on "pure" intelligence gathering and analysis—calling the world as the agency sees it, whatever the conflicts with Administration policy. Other officials feel that the agency should tailor its reports to the decision-making needs of the President. Casey was seen by some as reflecting this view. When a CIA report failed to detect the degree of Soviet influence over worldwide terrorism that the White House is convinced exists, for example, Casey ordered the study to be redone, and then redone again.

The agency was also split over an internal reorganization plan under which

all of its work relating to the Soviet Union would be consolidated in a single and probably dominant directorate. At present, responsibility for Soviet affairs is parceled out to directorates that deal with intelligence gathering, analysis and covert operations. The reorganization was first pushed by Max Hugel, the man whom Casey chose to head clandestine operations—a wheeler-dealer from New Hampshire who was widely viewed inside the CIA as a political amateur and incompetent spymaster.

Late last month two Wall Street stockbrokers, Thomas and Samuel McNell, publicly accused Hugel of illegal stock manipulation in the mid-1970s. The timing of the McNells' attack, so long after the events that had turned them into enemies of Hugel's, fueled suspicion that it may have been instigated by Hugel's CIA foes. When Hugel promptly resigned, his mentor, Casey, suddenly looked vulnerable too. Goldwater, in particular, saw the Hugel fiasco as reason enough to replace Casey for having chosen a misfit for the sensitive job.

After the *Washington Post* published the McNells' charges, other papers followed up with a story about an overlooked May 19 decision by a federal judge; he had ruled that Casey and other directors of Multiponics, a New Orleans agribusiness venture, had misled investors about the finances of the firm. With that, Goldwater swung into action, ordering an investigation of Casey's fitness for his job. Even before the probe began, Goldwater Republican Senators, Ted Stevens of Alaska and William Roth of Delaware, called on Casey to quit.



9 August 1981

The real battle behind the Casey affair

STATINTL

By John Maclean

WASHINGTON—It looked at first like another steamy summer capital scandal, the jowly CIA director besieged on every side by snapping congressmen trying to bring him down to earth.

But beneath the very public battle over William Casey's tenure in the top CIA spot lies a far more important tug of war about what sort of a spy agency the United States wants to run.

Will the CIA once again turn to covert operations as the way to solve U.S. problems in the world, or will it go the high-technology route, emphasizing electronic data collection and quality analysis?

In the public arena, this fundamental question never got debated. Instead, the controversy centered on the free-wheeling financial dealings of Casey.

With no new evidence of any Casey wrongdoing at hand, staunchly conservative Sen. Barry Goldwater (R., Ariz.) started everyone, possibly himself, by publicly calling on Casey to quit. Goldwater's statement followed by about 10 days a minor scandal in which Casey's choice to head the clandestine operations division of the CIA, Max Hugel, was forced out of office by disclosures of shady business dealings.

WHAT DID Goldwater have against Casey? Publicly, the charge sheet against Casey listed two items: a lapse of judgment in hiring Hugel, who lacked any professional qualifications, and Casey's past financial dealings, which already had been sifted through by several congressional committees when Casey previously served in government.

Regarding the Hugel appointment, Goldwater charged: "That in itself constitutes the worst thing Casey has done."

Well, not quite.

The worst thing Casey did in the eyes of many intelligence community watchers here was to land the top job at the CIA. Casey represents the "old school" of intelligence work and served in the predecessor to the CIA, the Office of Strategic Services (OSS) during World War II.

Casey demanded the CIA job as repayment from President Reagan for his successful rescue efforts as Reagan's campaign manager, pulling together a badly divided staff into a winning team.

Intelligence community watchers describe Casey as a lusty buccaneer, eager to put American spies to work throughout the world in the grand old manner.

The appointment of Hugel, they say, was designed to give

Casey an inexperienced but loyal subordinate who could be counted on to do his master's bidding with no questions asked.

THE CHECK ON all this underground activity is another personality, Adm. Bobby Ray Inman, Goldwater's choice for CIA director. Inman's reputation is so clean it makes George Bush look sleazy.

Inman eventually landed the No. 2 spot at the CIA. He went there from a distinguished tenure as head of the National Security Agency (NSA), the nation's largest and most sophisticated intelligence operation. The NSA operates satellite and other electronic spy measures, gathering quantities of data that make the old OSS look like a mom-and-pop grocery by comparison.

Inman, in short, is the champion of those who want the CIA to sharpen its analysis and data

CIA background



- Established in 1947 to gather political and military information about other countries; coordinates the intelligence functions of government agencies as they relate to national security.

- CIA also conducts various secret activities in foreign countries in support of U.S. foreign policy. The agency also conducts counterintelligence activities within the U.S. with the coordination of the Federal Bureau of Investigation and the approval of the U.S. attorney general.

- The CIA also collects intelligence on the foreign aspects of narcotics production and trafficking.

- The agency director and deputy director are appointed by the President by and with the advice and consent of the Senate. The agency is part of the Executive Branch; the director reports to the National Security Council, which includes the President.

- The CIA's budget, like much of its activities, is secret. Reportedly, the agency spends about \$2 billion annually.

Chicago Tribune Graphic, Society: U.S. Government Manual

CONTINUED

HUMAN EVENTS
8 August 1981

STATINTL

Casey 1, Opponents 0

Six days after Sen. Barry Goldwater (R.-Ariz.), the chairman of the Senate Intelligence Committee, called on William J. Casey to resign as Director of Central Intelligence (DCI), Goldwater and the other members of the Committee unanimously declared that "no basis has been found for concluding that Mr. Casey is unfit to serve as DCI." The statement followed the panel's five-hour closed meeting with Casey on July 29 and a review by the committee staff of the charges that had been made against the CIA Director.

Although the inquiry into Casey's business dealings and his appointment of Max Hugel is not at an end—a few points will be followed up by the Committee staff—the events of the last week or so represent a vindication of Casey, who, by all accounts, has moved assertively to strengthen the CIA, and a slap in the face to three members of the Intelligence Committee—Goldwater, Joseph Biden (D.-Del.), and William Roth (R.-Del.)—and Sen. Ted Stevens (R.-Alaska), who called on Casey to resign.

Perhaps the most curious aspect of the affair was the performance of Sen. Goldwater, a stalwart of the GOP and a long-time favorite of conservatives. The Arizonan, who recently pushed the appointment of Sandra O'Connor to the Supreme Court and labeled the Moral Majority; her strongest opposition, as "fascist," grabbed front-page headlines by leading the assault on Casey, a personal friend of President Reagan.

On July 23, while the "Casey affair" was heating up, Goldwater called a news conference to deny a CBS report that he had privately urged Casey to resign. He had called the item a "malicious lie." Under the impression he was going to defend the CIA director, White House officials were dumbfounded when Goldwater publicly called for Casey's ouster, saying the appointment of Max Hugel was sufficient cause "for either Mr. Casey to decide to retire or for the President to ask him to retire." Goldwater also questioned Casey's involvement in a New Orleans firm called Multiponics. "I believe he's made the statement that he lost \$150,000. We had been told he made over \$750,000," Goldwater said.

The next day, Casey, who had the strong support of President Reagan throughout the controversy, issued a statement saying that Goldwater had been provided with inaccurate information.

Rather than making \$750,000, Casey said, "I lost my investment and materials being submitted will substantiate that fact." Those materials were delivered to the Intelligence Committee on Sunday, July 26.

But Goldwater, Sen. Roth, and Sen. Stevens weren't willing to wait for an investigation into the matter. On July 24 Stevens, the majority whip, said Casey should leave "for the good of the agency." On the same day, Sen. Roth, up for reelection next year, declared that "The Director of the CIA must be above suspicion, and to borrow a phrase

from President Eisenhower, 'cleaner than a hound's tooth.' " He said, "I believe it is impossible for Mr. Casey to effectively discharge his duties," adding, "He should go—now."

Adding his voice to the chorus, Sen. Biden (D.-Del.) told the *New York Times*, "I hope he's not on the job Monday."

It was left to a Democratic member of the committee, Sen. Henry M. Jackson (D.-Wash.), to express the sentiments of many who believed that Casey was being railroaded. In a July 26 appearance on "Meet the Press," Jackson said, "it looks like they're trying to lynch him in public," adding, "I think very clearly they are trying to do Mr. Casey in without an opportunity to be heard." Jackson said the Hugel appointment was a mistake, but that he was unable to explain the other "so-called issues" coming to the fore "all of a sudden."

The truth is that the Hugel appointment, as Sen. Paul Laxalt (R.-Nev.) pointed out in a July 25 news conference called to defend Casey, "was a matter-of-intense consideration within the agency and the consensus was actually developed within the agency to go with Mr. Hugel." CIA Deputy Director Admiral Bobby Inman, who was Goldwater's first choice to head the CIA, has stated publicly that he supported the Hugel appointment. Furthermore, although Casey has taken full responsibility for the Hugel selection, Casey also says that Hugel's name was proposed by another top CIA official. It was thought that Hugel's experience as an international businessman could be extremely valuable to the CIA.

In light of the facts in the case, the Hugel appointment, according to Goldwater logic, was sufficient cause for the entire top echelon of the CIA

6 AUGUST 1981

ESSAY

Deception Managers

By William Safire

WASHINGTON, Aug. 5 — "Deception management" is the term of art applied to the decade-long campaign by Soviet officials to persuade American intelligence evaluators that the Soviet Union is not violating arms control agreements.

The first inkling of duplicity came to us in May 1972 via "Gamma Guppy," our tuning-in to limousine telephone conversations between Leonid Brezhnev, Andrei Gromyko and Soviet missile designers at the Moscow summit conference.

These transcripts quoted Mr. Brezhnev talking about a "main missile" that had never been mentioned in SALT negotiations, which turned out to be the SS-19. The surprised Henry Kissinger considered this "sharp practice," but not a treaty violation. Adm. Bobby Inman, first at N.S.A. and now at C.I.A., obeys an old order to withhold these conversations from intelligence community analysis. The admiral, who startled his aides by babbling about sources and methods on late-night TV, has waged a vendetta against David Sullivan, a C.I.A. analyst who dared quote from them in a 1978 SALT verification study, which is called "the report that never was."

The next inkling of deception management came with the realization in 1978 that American intelligence estimates of the "circular error probable" had been shockingly wrong. Soviet missiles were far more accurate than the C.I.A.'s Ray McCrory had been led to believe: the 300 SS-18 missiles alone, each with 10 warheads, could destroy our 1,000 land-based Minuteman missiles. That is when we began to hear about "the window of vulnerability," which came nearer on each analysis.

A third piece of evidence about systematic deception surfaced with what former Defense Intelligence chief Daniel Graham last week called "the most serious" breach of U.S. security in recent years: the theft of the operation manual of the KH-11 spy satellite. We had induced the Russians to think our KH-11 was an innocent communications satellite, treating it differently from our spies in the sky, but it carried a high-resolution camera. The Russians thought it was safe to cheat under KH-11; when they obtained the manual, the cheating stopped.

Soviet deception managers must know our surveillance capacity, but occasionally we get a break: a careless Russian radar operator made it possible for us to discover that enormous radar facilities supposedly to be used only for "early warning" were really battle-management ABM radar, an egregious treaty violation.

Other evidence of deception management: when an anthrax epidemic broke out near Sverdlovsk, we suspected a germ warfare factory in operation, but the Russians will permit no on-site inspection and will give no treaty-required explanations. And when we discovered them encoding some messages from their satellites, introducing the possibility of surprise attack, our softer SALT sellers permitted "non-SALT-related encryption," foolishly letting the Russians decide what is "SALT related."

Now that we know that deception management has been the Soviet practice on arms control for the last decade, what is the Reagan Administration doing about it?

Last month, hard-liners urged that the U.S. delegation to the Standing Consultative Commission in Geneva, headed by Brig. Gen. John Lasater, tell a Soviet general, Viktor Starodubov, that we wanted explanations for these obvious Soviet treaty violations before going forward with either Theater Nuclear Force or SALT negotiations, for which the Russians are so eager.

The Russians did not even do us the courtesy of a diplomatic dodge; except where photographic evidence was incontrovertible, they told us to stick our complaints in our ear.

This Soviet stonewalling on SALT has been kept secret because (a) our ally, Chancellor Schmidt, wants to minimize the serious verification issue on SALT, auguring an even more serious verification issue of theater nuclear missiles, which can be hidden on trucks in garages; (b) General Haig does not want to upset Andrei Gromyko before their September meeting in New York, and (c) the Arms Control Agency chief, Eugene Rostow, whose heart is in the right place on the overriding importance of verification, is under pressure from soft-liners at State and C.I.A.

The Russians are not being secretive because they are paranoid; they fight verification because deception management is their game. Realists in the Reagan ranks are hopeful that the resumption of the Verification Panel, abandoned by Carterites, as well as the coming appointment of William Van Cleave as Chairman of the General Advisory Committee of ACDA, will signal a much-needed new perception of deception.

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ON PAGE 18

NEWSWEEK
3 August 1981

The CIA: Can Casey Survive?

Barry Goldwater, the senior senator from Arizona, had finally dropped off to sleep after a taxing day last week when the telephone rang. CIA director William J. Casey was on the line, anguished and angered by what he had just heard—the senator's televised call for Casey's resignation. "I can't believe you said that," Casey said. Goldwater, not at his best at that hour, according to a friend, immediately shot back: "Well, Bill, you better believe it, because that's what I said."

Goldwater, chairman of the Senate Select Committee on Intelligence, was hardly alone. Key committee members agreed that Casey had to go, and they said so

destabilize the regime of Libyan leader Muammar Kaddafi (page 19).

In fact, White House officials were beginning to translate their concerns about Casey into action. NEWSWEEK learned that a search has already begun for possible replacements for Casey, with three retired Army generals heading the list. They included Ambassador-at-Large Vernon Walters, a former CIA deputy director; Daniel O. Graham, a hard-right former director of the Pentagon's Defense Intelligence Agency (DIA), and Samuel V. Wilson, who has served as both DIA director and deputy director of the CIA. Conspicuously absent from the Administration short list was the current CIA deputy director, Adm. Bobby Ray Inman, a former director of the National Security Agency. His absence reflected a deepening rift between top Reagan aides who want to amend the CIA charter to give the agency more latitude in covert operations and Inman—an intelligence professional who believes the CIA's real problems are inadequate funding and a deteriorating analytical capability.

Going Public: Goldwater's decision to go public in the Casey affair was almost as big a surprise to the senator as it was to Casey and the White House. Privately Goldwater had often expressed hope that Casey would resign. He agreed to face TV cameras Thursday night to deny an inaccurate CBS News report that he had advised Casey directly to step down. But responding to a reporter's question, he confirmed his own grim conclusion about the CIA boss. "That he appointed an inexperienced man to be, in effect, the nation's top spy was bad enough," Goldwater said.

"Hugel's appointment is . . . sufficient . . . for Mr. Casey to retire or the President to have him retire."

Others quickly followed suit. Republican whip Ted Stevens of Alaska, whose loyalty is valued at the White House, said that conversations with other members of the Senate intelligence committee and the Senate defense appropriations subcommittee had persuaded him that his friend Casey should leave the CIA "for the good of the agency." When Majority Leader Howard Baker of Tennessee called on Goldwater to put businessman Max Hugel—who resigned a fortnight ago—in charge of covert operations at the CIA, the House Select



The director: Buying himself a weekend

publicly—diverting attention from Ronald Reagan's initiation to summetry at Ottawa and presenting him with the first political crisis of his Administration. In public, Reagan's men described their boss as having "full confidence" in Casey. But privately, aides were troubled by the chorus of criticism from Capitol Hill. White House spokesman David Gergen conceded that the "climate" might change as a result of an intelligence committee staff report, due this week, on Casey's past business dealings and his appointment of a well-known put businessman Max Hugel—who resigned a fortnight ago—in charge of covert operations at the CIA. The House Select

Official scrutiny of Casey's business record over the years has not prevented him from serving as chairman of the Securities and Exchange Commission, Under Secretary of State for Economic Affairs and president of the Export-Import Bank. But newspaper stories a fortnight ago disclosed that two Federal judges in the past year had cited Casey for financial improprieties in connection with a failed agribusiness concern, Multiponics, Inc. And Democratic Sen. Daniel P. Moynihan said the intelligence panel, aided by ten FBI agents, planned a "thorough" investigation of Casey's taxes and other business ties—including some minor holdings not disclosed at his CIA confirmation hearing.

'Harebrained' Schemes: Goldwater and others on the Hill were clearly less concerned with Casey's corporate affairs than with his judgment as boss of the CIA. Choosing Hugel—who held a relatively minor post in the Reagan campaign—as deputy director for operations has been the most controversial of Casey's decisions at the agency, but it is not the only one to be called into question. He also signed off on a proposal for new, watered-down restrictions on the CIA without even reading it, a White House aide admitted. Moreover, some Congressional sources said there was a feeling that Casey was too willing to approve "harebrained" schemes. After learning about the Libyan operation, for example, members of the House intelligence committee took the unusual step of writing directly to the President to object, bypassing Casey and Hugel. During the Carter administration, such objections were registered verbally with former CIA director Stansfield Turner when he briefed the panel on covert plans. But Casey generally voids such briefings, and members of the intelligence committee were not sure that their concerns would be passed on and considered.

At the White House, reactions to Casey's deepening problems did not show up in the kind of blind loyalty that bound Jimmy Carter so tightly to his banking buddy Bert Lance, who ultimately resigned under fire as director of the Office of Management and

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ON PAGE C7THE WASHINGTON POST
2 August 1981*David Wise*

Who Will Control the CIA: Outsiders or the Old Boys?

William J. Casey has survived as CIA director, at least for the moment, but the wrong conclusions will probably be drawn from the Senate investigation of his activities and the pratfall from power of his spymaster, Max Hugel.

The moral of the story, some will assume, is that the CIA should be left to the professionals. That, of course, is precisely what the powerful network of Old Boys, both inside and outside the CIA, would like the public to think. The intelligence professionals, the career spies, prefer to regard "the agency" as their private preserve. Outsiders are poachers.

While the controversy may have appeared on the surface to be a struggle between the Senate intelligence committee and Casey, the real struggle was over who will control the CIA. Arrayed on one side were Casey and the president, who gingerly supported his CIA director. On the other side were the Old Boys, the present and former CIA professionals, and their allies on Capitol Hill.

It was an old battle played out again with a new cast of characters. Back in 1965, President Lyndon Johnson appointed Adm. William F. Raborn Jr., the man responsible for the development of the Polaris missile, as CIA chief. The Old Boys were annoyed. Within weeks, stories found their way into print reporting that at CIA meetings Raborn was a muddle of confusion, "so unlettered in international politics," as Newsweek put it, "that he could not pronounce or even remember the names of some foreign capitals and chiefs of state." Six months later, Raborn was out as CIA director. With the admiral piped ashore, Johnson named a professional, Richard Helms, to the post.

Besides Raborn and Casey, at least two other outsiders who served as CIA directors were targeted by the professionals. President Nixon named James A. Schlesinger to the job in 1973. Schlesinger fired a number of Old Boys, arousing much ire within the agency. Under Jimmy Carter, Adm. Stansfield Turner managed to survive as CIA chief, but many old agency hands refer to him mockingly as "the Admiral."

The current flap had its unobtrusive beginnings late in March when Casey quietly moved John McMahon out as deputy director for operations (the CIA's covert side) to head intelligence and analysis. Then, on May 11, Casey tapped Hugel, who had worked with him in the Reagan campaign, to be the DDO.

Only four days later, on May 15, Cord Meyer, the covert-operator-turned-columnist, surfaced Hugel's name, revealing the appointment of "a rank amateur" to head the agency's cloak-and-dagger directorate. The drama had begun.

Two brothers, former business associates of the Brooklyn-born Hugel, went to The Washington Post. On July 14, within hours of the newspaper's publication of charges of improper or illegal business activities by Hugel, he had resigned. There were those who argued, albeit not seriously, that the disclosures only proved Hugel's superior qualifications for the job. According to the Hugel tapes and other revelations in The Post, the spymaster had threatened to kill a lawyer who got in his way, warned his business associate that he would hang him by the testicles and admitted (in his unpublished autobiography) that he was a liar, informer and a bumbo artist. To top it all, he beat the CIA lie detector. What finer background could anyone have to head the CIA's dirty tricks division?

But Hugel went quickly down the tube. Perhaps, one anonymous White House official speculated, with some help from "former intelligence officials." Whether anyone, inside or outside the CIA greased the ways for Hugel's fall, remains, like so much about the agency, clouded in mists. But it is very clear that Casey's appointment of Hugel, a one-time sewing machine manufacturer, rankled the CIA professionals like nothing in recent memory.

From the tree-shaded lanes of Langley to the Federal-style homes of Georgetown, the sputtering could be heard wherever old spooks gathered. It was as though a busboy had suddenly been made a Member of the Club. Unheard of!

On the very day that Hugel resigned, stories mysteriously surfaced noting that a federal judge—two months earlier on May 19—had ruled that Casey and others had "omitted and misrepresented facts" to investors in Multiponics, Inc., a company that owned farm acreage in the South. In succeeding days, Casey's image came to resemble nothing so much as a series of ducks in a carnival shooting gallery. One duck carried a sign reading "Multiponics." Others read "Vesco," "ITT," or had similar labels of cases in which the CIA director's name had figured in the past. No sooner would one duck be shot down than another would pop up.

Casey had concealed a \$10,000 gift, said one story. Casey had links to a New Jersey garbage man who might have links to the Mafia, said another. Soon Barry Goldwater and other influential Republicans were calling for Casey's resignation. In the midst of it all, Samuel and Thomas McNeil, Hugel's accusers, vanished.

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ON PAGE 2-4NEW YORK TIMES
2 AUGUST 1981

The Posse on Casey's Trail

Reins In Fast

By JUDITH MILLER

WASHINGTON

FOR a while, it seemed all too familiar. A newspaper account raised questions about a well-known public official. Influential senators called upon him to step down for the good of the country. A committee investigation was launched; probers and prey are followed around town by troops of reporters.

But beyond that, the drama of William J. Casey failed to follow the script. Last week, there was no terse resignation announcement. Rather, the momentum seemed to dissipate as rapidly as it had built, leaving many genuinely puzzled. Virtually all Democrats and Republicans of the Senate Select Committee on Intelligence, which is still officially investigating charges of financial misconduct raised against Mr. Casey, agreed that the affair was unusual in large part because the object of the inquiry was the Director of Central Intelligence.

"Another important difference," argued Senator Richard G. Lugar, Republican of Indiana, "was that it was the Senate Intelligence Committee that was in charge." The panel, Mr. Lugar noted, is unusual because it is handpicked by the Senate leadership to reflect a range of "responsible" ideology and because of the sensitive nature of the activities it monitors.

The Casey affair, however, has demonstrated that in at least one critical respect, the intelligence panel seems to have become similar to other Congressional panels. "The committee has become more like the Senate as a whole," observed Senator Joseph R. Biden Jr., a Democratic member. "The separation of powers has been muted in every aspect under Republican control."

Like the community it watches, the intelligence panel operates in an atmosphere of secrecy unparalleled on Capitol Hill. So, while panel members burned about Mr. Casey's appointment of Max C. Hugel, a campaign aide and intelligence novice, as head of covert services, their sentiment was not publicly aired until Mr. Hugel was forced to resign in the wake of financial scandal.

But when it did blow up, it became what Senator Robert Packwood, Republican of Oregon, called a "one-week wonder." The private grumbling of the panel chairman, Senator Barry Goldwater, that his choice and the agency's deputy director, Adm. Bobby R. Inman, had not gotten the top agency job erupted in a suggestion at an impromptu press conference that Mr. Casey step down. Only four days later, after a five-hour closed meeting with Mr. Casey, Mr. Goldwater and the panel vice chairman, Senator Daniel Patrick Moynihan, said "no basis had been found for concluding that Mr. Casey is unfit to serve."

What had happened? For one thing, Mr. Casey and Admiral Inman both visited members to assure them that the agency would respond more quickly and fully to committee calls for consultation. Friends and supporters of Mr. Casey called committee members on his behalf.

Also important was whispering from the White House and the "intelligence community" — former and current intelligence officials and their friends — warning that scandal and a prolonged inquiry would deny the agency the morale and stability it requires to do its job. Even if Mr. Casey were to step aside, White House aides said that the top job would not go to Admiral Inman, the committee's favorite, and that he might even lose the deputy's post because proposed nominees for chief had former or current military connections, and it is illegal for two military personnel to occupy top jobs at the agency. Finally, the White House and Senate leadership successfully focused the controversy not on Mr. Casey's management of



The New York Times / D. Gortow
William J. Casey

the agency, but on allegations of impropriety in his former business dealings and on the lack of due process being afforded him. They were outraged at colleagues who called for Mr. Casey's resignation before an inquiry had begun.

Mr. Lugar said that the committee had last week investigated the matter sufficiently to issue the preliminary judgment expressed by Mr. Goldwater and Mr. Moynihan. But Mr. Biden noted that the panel had not yet interviewed a single former business partner of Mr. Casey's nor had the staff reviewed the transcript of the court cases at issue. Nevertheless, committee members all agreed that it was essential to the agency's stability that they issue at least some statement; the price of Mr. Biden's support was a Democratic counsel to assist in the investigation and a commitment to explore "loose ends."

The committees were not always so attuned to their constituencies. Established in 1975 to investigate allegations of substantial improprieties, the Senate panel, then headed by Senator Frank Church, concluded after a 15-month inquiry that while the national intelligence system was a "permanent and necessary component of our government," the agencies had committed abuses. Rather than rely on the previous practice of sporadic conversation with favored House and Senate leaders, the Church committee recommended permanent oversight committees.

Initially, the agencies, stunned and angered by the public rebuke, resisted cooperation. But with the conservative tide sweeping the country came the call for a reinvigorated intelligence capability. Indeed, committee members are among the most vigorous proponents of the agency's requests for greater resources, more flexibility and exemption from public disclosure laws. Senator Biden, for instance, says a thorough investigation of the charges against Mr. Casey is needed precisely because Congress might resist unleashing the agency if it lacks confidence in the oversight panels.

The staff inquiry, therefore, is likely to continue. Privately, however, some senators are concerned that Mr. Goldwater's quixotic and mercurial behavior may impair the effort. Others think he has been chastened by the Casey affair. "It's going to tone him down a little," a Republican committee member predicted. Perhaps. Still others are concerned that a future disclosure about Mr. Casey's connection to a failed covert operation may again trigger calls for an inquiry — or accusations that the panel failed to do its job.



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Morris I. Leibman, Chairman

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Congress Considers Amendments To Freedom of Information Act

The Freedom of Information Act, which was first passed in 1966, and then passed again in amended and strengthened form in 1974, has come to be accepted as an everyday part of American life and as a pillar of democratic government. The disclosure requirements of FOIA as amended are sweeping and rigorous. They embrace all government agencies, including intelligence and law enforcement agencies; and, while making provision for the withholding of records on national security grounds, they do not provide a blanket exemption for confidential intelligence or law enforcement files but require, instead, that each document and each paragraph in each document be carefully checked for the purpose of segregating releasable from non-releasable information and assuring the maximum possible disclosure.

Like all new legislation, however, FOIA was to a certain degree experimental. The sponsors of FOIA wanted to reinforce the citizens' right to know, they wanted more open government, and they wanted to put an end to the abuses perpetrated in the name of government secrecy and executive privilege. This the Freedom of Information Act has accomplished. But it also had certain effects that were unintended by our legislators.

When President Ford vetoed the amended FOIA in October 1974, he justified his action on the grounds that it would adversely affect the intelligence community and the law enforcement community and was otherwise "unconstitutional and unworkable." His veto was overridden by a vote of 371 to 31 in the House, and 65 to 27 in the Senate. An increasing number of Senators and Congressmen have come to the conclusion that the experience with the Act has borne out some of President Ford's misgivings, especially in

terms of its impact on the intelligence and law enforcement communities. Reflecting the growing misgivings in Congress, five bills containing separate amendments have been introduced in the Senate, and 27 in the House.

During the month of July, House and Senate committees took testimony on the pending amendments to FOIA. There appears to be a widespread bipartisan and public perception that national security requirements make it mandatory to modify the Freedom of Information Act in several important respects. The administration has indicated that it plans to submit a package of its own amendments towards the end of September. It is unlikely any action will be taken on pending bills until this package is received and evaluated.

For the information of the readers of *Intelligence Report*, we have decided to devote this entire issue to the Freedom of Information Act and the testimony of some of the principal witnesses who appeared before the Senate Judiciary Subcommittee on the Constitution and the Senate Intelligence Committee.

In the pages that follow we reproduce extensive excerpts from the testimony of Robert L. Saloschin, former chairman of the Freedom of Information Committee, Department of Justice, and a consultant to the Standing Committee on Law and National Security; from the testimony presented on behalf of the Department of Justice, the Department of Defense and the CIA; and from the testimony of Steven R. Dornfeld on behalf of the Society of Professional Journalists, Sigma Delta Chi. While there were many other witnesses before the House and Senate committees, we believe that the extracts we here present will enable our readers to better understand the positions of the principal government agencies concerned with national security, as well as the arguments advanced by those who are opposed to any significant changes in FOIA.